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From: [REDACTED]

Sent: Wednesday, February 12, 2014 1:20:24 PM

To: [REDACTED]

Cc:

Bcc:

Subject: Deductibility of Depreciation

Relating to our prior advice in CCA 201347019 dated August 7, 2013, you ask about the treatment of depreciation under § 1.468B-2(b)(2). Under the circumstances of this case as detailed in the CCA and similar to the expenses at issue in that advice, the depreciation expense relating to the commercial real estate properties held by the Receivership is a necessary expense incidental to the purposes of Receivership; namely, the administration, preservation and realization of the assets the Receiver was ordered to take control of for the benefit of the defrauded investors and distribution of the net recovered amounts to those investors. Thus, the depreciation expense is an administrative cost or other incidental expense that is deductible in calculating modified gross income under § 1.468B-2(b)(2).